

***United States Court of Appeals
for the Second Circuit***



REPLY BRIEF

74-1767

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IN THE
United States Court of Appeals

FOR THE SECOND CIRCUIT

Appeal No. 74-1767

SHATTUCK ET AL.,

Appellees,

v.

HOEGL ET AL.,

Appellants.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NEW YORK

REPLY BRIEF FOR HOEGL ET AL., APPELLANTS



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**I. THE ATTORNEY-CLIENT PRIVILEGE IS NOT VITIATED
BY A MERE ALLEGATION OF FRAUD**

Appellees in their brief have not contested that the attorney-client privilege attaches to the three documents in issue, nor did the District Court make any finding to the contrary. Consequently, the issue is whether the Court below invoked the proper legal standard by which to measure the validity of appellants' objections to production of the privileged documents. As set forth in appellants' brief, pages 9-11, the correct legal standard requires a showing of a prima facie case of fraud before any violation of the attorney-client privilege will be mandated. *Clark v. United States* 289 U. S. 1, 15 (1933).

The standard for determining whether the requisite showing of a prima facie case is made, has been set forth

as follows in *American Optical Corp. v. United States* 179 U. S. P. Q. 682, at page 684:

"Thus, in order to pierce the privilege, it is not enough to show merely inequitable conduct before the Patent Office. Rather, it is necessary to establish a case of fraudulent procurement; i.e., one must show (1) a knowing, willful and intentional act of misrepresentation or omission before the Patent Office; (2) the misrepresentation or omission must be material; and (3) the Patent Office must have relied upon the misrepresentation or omission."

This means that much more than a mere allegation of fraud and unsupported inferences of misconduct is required in order to make out a prima facie showing of fraud. The showing must be of such character that, in the absence of rebutting evidence, the charge will be sustained. No such showing was required by the District Court below, and appellees' submission falls far short of that essential requirement.

A. The District Court Ignored the Proper Legal Standard

Not one word of the District Court decision appealed from is directed to the legal requirement that movants make a prima facie showing of fraud to justify overruling appellants' objection to production of the privileged documents. Indeed, as pointed out at page 5 of appellees' brief, the District Court expressly relied upon its prior decision which did not relate to an objection based upon the attorney-client privilege.

After referring to its previous decision, and without further justification, the Court stated:

"The movants are entitled to unrestricted access to sources of information bearing on the question of fraud." (Appendix page A-242)

The decisional law is clear that, with respect to documents otherwise protected by the attorney-client privilege, the statement by the Court is erroneous in the absence of a prima facie showing of fraud. *Clark v. United States, supra*; *Winter v. Koratron* 54 F. R. D. 44, 172 U. S. P. Q. 201 (N. D. Cal. 1971); *Ziegler v. Natta* 157 U. S. P. Q. 400 (E. D. N. Y. 1968); *American Optical Corp. v. United States, supra*.

In the ruling here in issue, the District Court failed to recite any facts which it recognized as tending to establish a prima facie case of fraud. The reliance by the Court on the reasoning of its previous decision demonstrates an improvident disregard of the proper legal standard required for vitiation of the attorney-client privilege. Substantial rights of Xerox Corporation in the sanctity of communications made to its attorneys in contemplation of the interference proceeding, and not involved in the Court's previous ruling, were thus improperly compromised.

B. Appellees have Failed to Establish a Prima Facie Case of Fraud

Appellees have attempted in their brief to establish an inference of fraudulent misconduct on the part of the appellants during both the interference proceeding and during ex parte prosecution of the application involved in the interference. However, none of the charges made by appellees is sufficient to establish a prima facie case in accordance with the foregoing standards. Appellees have failed to present any evidence showing that their allegations have any foundation in fact.

1. Fraud Alleged in Connection with the Preliminary Statement

With respect to the interference proceeding, appellees have charged fraud in connection with the Preliminary

Statement filed by appellants with the Interference Board. That charge is fully contradicted by the uncontested facts.

In their Preliminary Statement, Hoegl et al swore that they made the invention set forth in the interference count. (Appendix page A-41) The fact that Hoegl et al made their invention in Geneva, Switzerland independently and without knowledge of any work by Dr. Weigl's group in the United States was not disputed during the proceedings before the District Court below, and has not been disputed by appellees in their brief to this court. There has been no suggestion to the contrary. Even if Hoegl et al knew of the work of Dr. Weigl's group prior to execution of their Preliminary Statement, as seems to be appellees' charge, there can be no fraud or impropriety whatsoever in asserting in their Preliminary Statement that they had made the invention, and in reciting the date upon which the invention was made by them.

The case of *Lund et al v. Bentley*, reproduced in the Addendum to appellees' brief, exemplifies the type of proof required to establish a prima facie case of fraud. In that case, a sworn affidavit corroborating the preparation of a certain compound was presented to the Interference Board on behalf of the junior party. In sworn testimony, however, the affiant subsequently admitted that he did not have personal knowledge of all the facts set forth in the affidavit. The Board held that the affidavit was a misrepresentation of a material fact, and priority was awarded to the senior party to the interference.

In the present case, Hoegl et al have correctly stated that they made the invention of the Interference Count. In contradistinction to the *Lund* situation, neither Hoegl et al, nor anyone else, has stated that the invention was *not* made by Hoegl et al. This fact is undisputed, and there could be no misrepresentation involved.

In the absence of any fact showing a material misrepresentation by appellants in their Preliminary Statement, appellees must fail in their efforts to pierce the attorney-client privilege.

2. Fraud Alleged in Connection with Prosecution of the Application

With respect to ex parte prosecution of the Hoegl et al application, appellees have charged that the attorneys for Hoegl et al improperly withheld from the Patent Office the evidence of Dr. Weigl's work, which allegedly could constitute evidence of prior art, third party invention, or derivation by Hoegl et al. As stated on pages 14 and 15 of appellants' brief, the work of Dr. Weigl's employees (Mammino and Salasny) was abandoned and therefore, under 35 U. S. C. 102(g), it could not be prior art. Clearly there is no duty to disclose to the Patent Office such abandoned work which is not prior art. *Illinois Tool Works, Inc. v. Foster Grant Co., Inc.* 181 U. S. P. Q. 533 (N. D. Ill. 1974).

Furthermore, even though prior invention by a third party and derivation from a third party are not pertinent to an interference proceeding and will not be considered by the Board of Patent Interferences, (see *Poole v. Sugaya et al v. Iwabuchi et al infra*, page 9) all of the original contemporaneous records describing or relating to Dr. Weigl's work, or work done under Dr. Weigl's direction, including any communications between Weigl and Hoegl et al, concerning the subject matter of this interference, have already been produced to appellees. Thus, all of the facts concerning these early experiments and their abandonment are in possession of appellees. Dr. Weigl has testified about the matter without restriction.

Having received and reviewed all of this evidence, appellees do not contend that they lack any information regarding the Mammino and Salasny work and its aban-

donment. Instead, appellees' charge of fraud is based on the irrelevant facts that:

- a. In April, 1970, Mammino prepared and forwarded an invention record to the Xerox Patent Department concerning such work, and
- b. A draft patent application directed to that work was subsequently prepared.

The mere preparation of such documents at the request of Xerox attorneys many years after the experimental work referred to had been completed, and before a determination was made as to the appropriate course of action with respect to the subject matter of this interference, does not revive the status of the early abandoned work as prior art. If it did, such work would be prior art against both Shattuck et al and Hoegl et al and would be inadmissible in the interference proceeding. *Ligh v. Stransky* 141 U. S. P. Q. 437 (S. D. N. Y. 1964); *Foster v. Antisdel* 14 App. D. C. 552, 88 O. G. 1527 (D. C. Cir. 1899). As pointed out above, the patent statute clearly states that abandoned inventions are not prior art and the act of preparing an invention record or even a patent application relating to work abandoned many years earlier, could not be effective to revive such work as prior art.

Since there is no duty to disclose to the Patent Office the early abandoned work of Dr. Weigl, appellees' allegations of misconduct in not reporting such work to the Patent Office do not satisfy the requirement that a knowing and willful misrepresentation or omission be shown. Such allegations do not amount to a prima facie showing of misconduct.

3. Fraud Alleged in Connection with the CIP Declaration

In light of the abandonment of any invention arising out of the early work of Dr. Weigl's group and coming

within the scope of the present interference count, appellees' charge of fraud in the declaration of inventorship accompanying appellants' CIP application is equally unfounded. Even if Hoegl et al had learned of the prior work of Dr. Weigl and his co-workers when they signed the CIP Declaration, they were fully justified in the belief that they are the original and first inventors since the work of Dr. Weigl's group had been abandoned, and there is no evidence that Hoegl et al did not have that belief. Thus, there could be no misrepresentation by Hoegl et al. Consequently, this allegation by appellees also falls short of the requisite showing.

C. Miscellaneous Inferences

In their brief, appellees have attempted to create an inference of misconduct on the part of appellants in provoking this interference. In particular, appellees have suggested that appellants had somehow "radically altered" their original parent application in order to establish themselves as early inventors of the interference count. This argument is false and has already been rejected by the Patent Office. The Patent Office considered these same arguments now presented by Shattuck et al and rejected them, awarding appellants the benefit of the filing date of their parent application based on *continuity of disclosure* of the subject matter of the interference. (Appendix pages A-164, 184, 185) That decision by the Patent Office has resulted in Hoegl et al being awarded the status of senior party in this interference. It is wasteful and inappropriate for appellees to raise this question again before this Court.

Similarly, appellees have attempted to create an inference of misconduct in efforts by Xerox to obtain a patent based upon the invention of Hoegl et al, after issuance of foreign patents to IBM on the same subject matter. This is absurd. Hoegl et al made the invention and disclosed it fully in their parent application which was filed before appellees'

application. The Patent Office has already ruled that the original disclosure is sufficient to enable Hoegl et al to claim the invention of the interference count in their CIP application. (Appendix pages A-164, 184, 185) It is incompetent to suggest otherwise at this time before this Court.

Finally, appellees, in their brief, have inferred that appellants have not been consistent in appealing only from the second order of the District Court below, dated May 7, 1974, and not from the first order, dated March 26, 1974. There has been no such inconsistency.

The issue before the Court at the time of the first order did not relate to the production of privileged documents, and in addition, did not relate to discovery only subsequently characterized as concerning the "state of mind" of Xerox attorneys during the course of ex parte prosecution of appellants' CIP application. Accordingly, since no objection to the discovery sought was before the District Court on the grounds of the attorney-client privilege, and since discovery as to the state of mind of Xerox attorneys was not sought by appellees at that time, the scope of the March 26th order does not overlap the scope of the order from which this appeal was taken. Thus, contrary to appellees' suggestion in their brief, the order of March 26, 1974 cannot be construed to apply to the privileged documents presently at issue before this Court.

II. THE DISTRICT COURT IMPROPERLY OVERRULED THE PRIOR PATENT OFFICE DECISION ON DISCOVERY

Contrary to appellees' argument beginning at the middle of page 13 of their brief, the District Court did overrule the prior Patent Office decision on discovery. In the prior Patent Office decision, the Board of Interferences granted limited discovery directed to the work of Dr. Weigl's group. Such limited discovery related to appellees' charge

of fraud in the Preliminary Statement. (Appendix page A-238, lines 27-30 and page A-239, lines 1-3). As to the alleged fraud during ex parte prosecution, the Patent Office specifically stated that discovery is inappropriate. (Appendix page A-238, lines 17-21).

To the extent that either of Judge Burke's decisions below directed that discovery be had relating to charges of fraud during ex parte prosecution, they overruled the express holding of the Interference Board in the Patent Office.

In characterizing the evidence sought as relating to the state of mind of Xerox or the Xerox attorneys at the time of the filing of appellants' CIP application, appellees are clearly asking this Court to overrule the Patent Office and permit discovery concerning specious allegations of fraud during ex parte prosecution of appellants' applications. Moreover, this type of discovery could not be pertinent to the charge of fraud since no statement by any Xerox attorney is asserted to be incorrect.

The decision by the Board of Patent Interferences in *Poole v. Sugaya et al v. Iwabuchi et al*, mentioned at page 18 of the appellants' original brief, has now been published at 182 U. S. P. Q. 571 (P. O. Bd. Intfs. 1974). This decision is highly pertinent to the issue of whether discovery concerning appellees' allegations of fraud is proper in this interference proceeding. In that case, the party Iwabuchi asserted as to Poole, (1) a statutory bar based on alleged invention by a third party, (2) derivation of the invention by Poole from the third party, and (3) that Poole was fraudulently withholding evidence. In denying discovery sought by Iwabuchi as to these matters, the Board pointed out that such matters will not be considered in determining priority, stating:

"The fraud referred to in the above motion centers on the possible existence of a public use bar

to Poole or the question of third party inventorship neither of which can form a basis for an award of priority in view of the cases cited above. Thus the information sought could not be considered by us in deciding priority. We are aware of the fact that Rule 259 gives us the authority to direct the attention of the Commissioner to any matter not relating to priority which may come to our notice and which amounts to a bar to the grant of a patent to either of the parties. However, it is our view that discovery under Rule 287 should not be utilized in an effort to obtain information relating solely to matters which could not be used as a basis for an award of priority."

Thus, it is apparent that appellees' allegations of third party invention by Weigl, derivation by Hoegl et al, and alleged fraud in withholding from the Patent Office information relating to Dr. Weigl's work, could not be considered by the Board in determining priority, and that discovery relating to such allegations could not be "taken for use in any contested case in the Patent Office" as required by 35 U. S. C. § 24. The District Court therefore, improperly granted the discovery at issue here.

Appellants have argued in detail in their original brief that the Federal Courts ought to require exhaustion of the available administrative remedies concerning discovery in the Patent Office before invoking their jurisdiction under 35 U. S. C. § 24. The only possible exception to requiring a party in a proceeding in the Patent Office to exhaust all available administrative remedies before invoking the aid of a Federal Court, is where a strong showing is made that the administrative decision infringed substantial rights of the party.

Appellees have failed to make such a showing.

II. CONCLUSION

In their brief on appeal, appellees have evoked a blitz of spurious and incompetent allegations of misconduct in an effort to generate a smokescreen to hide their failure to establish the requisite prima facie case. Mere allegations of fraud, however numerous, are not sufficient to require piercing of the attorney-client privilege or work product status of a document. Since appellees have failed to establish any competent and substantive facts relating to misconduct, the privilege and work product status should remain inviolate and appellants' objections sustained.

Respectfully submitted,

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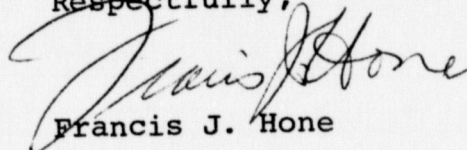
Re: Shattuck et al v. Hoegl et al
Appeal No. 74-1767

Dear Mr. Fusaro:

Enclosed herewith for filing on behalf of
the Appellants, Hoegl et al in connection with the
above appeal are twenty-five (25) copies of Reply Brief
for Hoegl Et Al., Appellants.

Receipt of a copy by attorneys for Shattuck
et al has been acknowledged on the top copy of these
documents.

Respectfully,


Francis J. Hone

Enclosures

cc: Sidney R. Bresnick, Esq.
Joseph G. Walsh, Esq.

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